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SUBJECT: REMITTANCES FROM THAILAND LIFT INCOMES IN BURMA

REF: 2008 CHIANG MAI 96: "AFTER NARGIS, A BORDER TRADE BOOM IN THAILAND'S FAVOR"

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Sensitive But Unclassified

Summary

¶11. (SBU) Remittances transferred from the one-to-two million Burmese migrant workers in Thailand are an important source of income for their families in Burma. With migrant workers transferring about half of their incomes to their relatives in Burma, anywhere from \$375 million to \$1 billion could be flowing from Thailand to Burma annually in remittances alone. Because "carriers" transfer money or goods by hand into Burma, some experts believe these remittances have a significant impact not only on Burma's GDP but also on bilateral trade flows and the macroeconomic stability of the Burmese kyat. However, earning these remittances comes at a cost for Burmese migrants, who generally face weak labor rights and poor living conditions in Thailand. Nonetheless, these migrant laborers continue to struggle to support their families in Burma, illustrating that this dispersed population abroad is really an interconnected network that has potential beyond the transfer of money to include the transfer of ideas. End summary.

Burmese Labor in Thailand

¶12. (SBU) From government tyranny to absolute poverty, Burma offers no lack of push factors for its people to flee their homeland in search of something better. In neighboring Thailand, robust manufacturing and agricultural sectors eager for cheap labor provide the pull factors abroad. The result is an estimated one-to-two million Burmese laborers scattered across Thailand but centralized in three places: the western border town of Mae Sot, the seafood processing Gulf region south of Bangkok, and Thailand's manufacturing hub in Bangkok itself. Leaving their hometowns in search of work, these laborers are usually young, single people who have volunteered to move abroad with one objective: earn money to support their families in Burma.

¶13. (SBU) From poor working conditions to costly money transfer schemes, Burmese laborers in Thailand face many challenges in trying to remit money to their families. However, their earnings here still manage to find their way home, helping to lift the direly low incomes of their relatives in Burma. Moreover, with so many Burmese working across Thailand, these remittances appear to add up, having a significant impact not only on individual families, but also on the Burmese economy

overall. Some experts even speculate that these remittances play a key role in explaining Thai-Burmese trade patterns as well as the macroeconomic stability of the Burmese kyat.

Remittances to Burma

¶4. (SBU) A survey of Burmese laborers and labor organizations in Mae Sot during a June 11-13 trip there by Consulate officials revealed potentially significant levels of remittances from Thailand, despite relatively low earnings. Manufacturing workers in Mae Sot usually earn wages one of two ways -- either hourly wages or earnings based on output -- although both are subject to Thai minimum wage laws. In both cases, Burmese laborers in Mae Sot reported that daily earnings at most local knitting and garment factories are about 85 baht (or \$2.60). In contrast, the minimum daily wage in Mae Sot is 151 baht (\$4.60).

The \$2 difference between the actual average daily wage and the minimum wage is reportedly justified by other benefits that the companies provide workers, including room and board (see para 13). Some workers who have resided longer in Thailand, remained loyal to a specific company, and have been promoted can earn as much as \$10 per day, though this is rare in Mae Sot where most supervisory positions are filled by Thai staff.

¶5. (SBU) Surveys among Mae Sot-based workers revealed that the range of monthly remittances from one worker to Burma was from 500 to 2000 baht (\$15 to \$60); however, most workers and labor groups reported that the average remittance falls around 1,200 baht (\$36) monthly. The highest remittance we heard was from a Burmese female in a supervisory position who could afford to send 5,500 baht (\$170) per month to her family. Overall, workers seemed to be able to afford to remit about half of their earnings to Burma using the other half for local consumption.

¶6. (SBU) Labor groups reported that Mae Sot wages are lower than
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Bangkok wages, where the minimum wage is 200 baht (\$6) daily. Burmese laborers tend to enter Thailand via Mae Sot and eventually travel to Bangkok in search of better paid work. As a result, only about 10% of Thailand's Burmese migrants reside in Mae Sot; most live and work in or around Bangkok or in the seafood processing zone in Samut Sakhon on the Gulf of Thailand.

Mae Sot-based labor groups said that the longer distance between Bangkok and Rangoon does not lessen the likelihood of these laborers remitting wages to Burma. On the contrary, they estimated that with higher wages, these laborers should be remitting more to Burma than the relatively poorer Mae Sot workers.

¶7. (SBU) Using the data we collected from migrant sources and labor groups, post estimates that annual aggregate remittances to Burma from Thailand range from a low of \$375 million to a high of \$1.125 billion. See data annex in para 20 for additional detail.

¶8. (SBU) The range of \$375 million to \$1.125 billion in estimated yearly remittances to Burma from Thailand is significant for bilateral trade, according to an advisor from Tak province's Chamber of Commerce. The advisor noted that the value of goods exported to Burma through Mae Sot yearly is about \$365 million, almost the same level as the (low-end estimate of) remittances (reftel). Because carrying goods across the border into Burma is a key element in the remittance process (see para 9), this advisor believes that the vast majority of Thai exports through Mae Sot corresponds directly to the increased purchasing power in Burma provided by remittances.

The "Carrier" System

¶9. (SBU) The system of transmitting money into Burma is costly, risky, and low-tech. Most Mae Sot migrant workers hire carriers

to transfer their money to Burma. They described the system as follows: A worker will bring his remittance in Thai baht to a merchant in Mae Sot advertised as a "money changer." This merchant will contact a partnering merchant in Burma, usually located near the family's village, and notify the family that it can pick up the remittance, which is paid out in Burmese kyat. To transfer the money between the two merchants, a Burmese "carrier" will carry the money (or goods of equal value) from the Thai merchant to the Burmese merchant. The remittance is charged approximately 5-7% commission for each merchant, such that an original remittance of \$30 is reduced to about \$26 once it reaches the family. An advisor to the Tak Chamber of Commerce told us that he believes this informal trading system which also serves as a currency exchange is critical for maintaining the stability of the Burmese kyat.

¶10. (SBU) For workers based in Bangkok or elsewhere in Thailand, the system has an additional step: transferring the funds to Mae Sot via a Thai middleman. A Burmese worker in Bangkok will connect with a local Thai who will agree to accept his money and deposit it in a Thai bank account. A partnering Thai middleman in Mae Sot will withdraw the funds and take them to one of the "money changer" merchants in Mae Sot to complete the rest of the carrier cycle. In this case, a third commission is charged for the middleman. The large population of Burmese migrant workers in Bangkok, therefore, becomes evident in Mae Sot by the herds of young Thais loitering around ATMs on their cell phones waiting for their next transaction.

Remitting from Beyond Thailand

¶11. (SBU) The network of Burmese migrants remitting money to Burma extends beyond Thailand to Malaysia, Singapore, Indonesia, and the U.S. Without any banking links with Burma, U.S.-based and other overseas Burmese migrants will remit money through Mae Sot as well. A sign in Burmese at the Siam Commercial Bank (SCB) branch in Mae Sot advertises pick-up hours for a service known as MoneyGrams. The service allows individuals overseas, though most are in the U.S., to transmit money to someone in Mae Sot through the SCB for a small fee.

¶12. (SBU) Because most regular SCB costumers do not use the service, the staff believe that the large majority of the senders and recipients are Burmese. Because the recipient must show a valid ID, yet another market of Thai middlemen exists to collect the money on behalf of unregistered Burmese migrants. The SCB reported that about 25 MoneyGrams are received per day each valuing \$100 to \$200. Through this bank branch alone, that equates to about \$600,000 to \$1.2 million yearly in money

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transfers from outside Thailand, likely being remitted to Burma.

Labor Rights and Registration

¶13. (SBU) All of these remittances to Burma via Mae Sot come at a heavy cost, however. Burmese workers in Thailand face unsatisfactory labor rights, poor working and living conditions, and unstable income. Two Burmese laborers from the Thaipop Knitting factory in Mae Sot told us that their wages are based on output, a common practice among the knitting factories. Each worker is paid 170 baht (\$5.15) for every 12 sweaters produced. The workers said it takes 16 hours to produce 12 sweaters, such that their hourly wage is about \$0.31. Based on an eight-hour work day, this is about \$2 less per day than the minimum wage in Mae Sot, which Thaipop justifies by providing quarters, rice, water, and electricity to the workers. The workers insisted that the value of these basic in-kind reimbursements could not possibly equal the \$2 given up in wages. They said that pleading for the extra \$2 per day in cash instead of in kind would be unwise since they could not find another place to stay and would likely be fired from their job for making the request.

¶14. (SBU) A Burmese laborer from another knitting factory reported that she also earned the estimated \$0.31 per hour based on 12 sweaters produced over 16 hours. Employees at her factory tend to work 13 hours per day totaling 3,500 baht (\$106) per month. Workers are required to sign an agreement that the difference of \$58 per month between their cash wages and the minimum wage is covered by their room and board. This female worker reported that the housing for single females is a large room shared by 30 people, each with enough space for a sleeping mat and a few personal belongings. For those with spouses, the quarters are inadequately small for more than one person. The company bars children from staying in the quarters.

¶15. (SBU) One way for workers to improve their quality of life in Mae Sot is through registration with the Thai authorities. Registration, which costs 3,800 baht (\$115) provides workers with very affordable health care and certain rights and privileges such as freedom of mobility outside of the factory compound. Unfortunately, registration is becoming an increasingly difficult task. Labor groups reported, and the Federation of Thai Industries confirmed, that a recent change in Thai regulations stipulates that new hires are not eligible to register. This includes laborers who were registered while employed by a company, resigned, and moved to another company. These workers lose their registration status and cannot reapply.

¶16. (SBU) Moreover, labor groups said that companies tend to allow only about half of their Burmese staff to register threatening the others with being sacked. By keeping some staff unregistered, the company maintains greater control over workers' mobility and their dependence on the employer. The Federation of Thai Industries of Tak province denied that any of its member companies have unregistered workers, but admitted that some companies will fill empty jobs temporarily with unregistered workers.

¶17. (SBU) The Burmese workers from these two knitting factories all said that despite the challenges in low wages, few labor rights, and poor working conditions, living in Mae Sot still pays off. One of the male Thaipop factory workers said that he will continue to struggle to support his family until he can return to a Burma that has jobs and democracy. He said he hopes for the day he can fight for labor rights in his own country. The female worker from the other knitting factory said that supporting her family members who recently lost their homes in cyclone Nargis is the only real incentive for her to live and work in Mae Sot.

Comment

¶18. (SBU) The high level and impact of Burmese remittances from Thailand are promising signs that, though this population of an estimated one-to-two million is scattered across Thailand, it maintains a significant and well-connected network with families on the ground in Burma. In addition to raising incomes inside Burma, these migrant workers provide the life support necessary to keep their families hopeful for a better economic future. Moreover, this network, though highly informal and potentially fragile, may be a resource for transferring democratic ideals as well as money into Burma.

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¶19. (U) This cable was coordinated with Embassies Bangkok and Rangoon.

Data Annex

¶20. (SBU) Based on estimates of Burmese migrant populations and their remittances to Burma from laborers and labor groups in Mae

Sot, post made the following estimates of aggregate remittances:

(1) Remittances from Burmese Manufacturing Workers in Mae Sot:

-- Population: 60,000 to 80,000 Burmese workers

-- Estimated Yearly Remittances: \$22.5 to \$45.0 million

-- Percentage of Burma's GDP: 0.16 to 0.33 percent

(2) Remittances from Burmese Workers in All Sectors in Mae Sot:

-- Population: 100,000 to 150,000 Burmese workers

-- Estimated Yearly Remittances: \$37.5 to \$84.38 million

-- Percentage of Burma's GDP: 0.27 to 0.62 percent

(3) Remittances from Burmese Workers in All Sectors Across Thailand:

-- Population: 1 million to 2 million Burmese workers

-- Estimated Yearly Remittances: \$375 million to \$1.125 billion

-- Percentage of Burma's GDP: 2.74 to 8.21 percent

Note: Gross Domestic Product of Burma is \$13.7 billion (Burma Country Notes). Low estimate applies a remittance value of 1,000 baht (\$30.30) per month; high estimate applies a remittance value of 1,500 baht (\$45.45) per month.

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